

HOUSE BILL 1076

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0lr2993
CF SB 898

By: **Delegate Feldman**

Introduced and read first time: February 17, 2010

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 23, 2010

CHAPTER _____

1 AN ACT concerning

2 **Credit Regulation – Installment Loans Secured by Motor Vehicle Lien**
3 **– Balloon Payments**

4 FOR the purpose of authorizing a credit grantor that makes a certain installment loan
5 secured by a lien on a motor vehicle to a consumer borrower to require the
6 consumer borrower to pay a balloon payment at maturity of the installment
7 loan if the loan exceeds a certain amount; and generally relating to installment
8 loans secured by a lien on a motor vehicle.

9 BY repealing and reenacting, with amendments,
10 Article – Commercial Law
11 Section 12–1003
12 Annotated Code of Maryland
13 (2005 Replacement Volume and 2009 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article – Commercial Law**

17 12–1003.

18 (a) A credit grantor may charge and collect interest on a loan at any daily,
19 weekly, monthly, annual, or other periodic percentage rate as the agreement, the note,
20 or other evidence of the loan provides if the effective rate of simple interest is not in

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 excess of 24 percent per year. The rate of interest chargeable on a loan must be
2 expressed in the agreement as a simple interest rate or rates.

3 (b) (1) Interest may be calculated by way of simple interest or by any
4 other method as the agreement, note, or other evidence of the loan provides. If the
5 interest is precomputed, it may be calculated on the assumption that all scheduled
6 payments will be made when due.

7 (2) For purposes of this section, a year may be any period of from 360
8 to 366 days, including or disregarding the effect of leap year, as the credit grantor may
9 determine.

10 (c) (1) ~~¶ (I)~~ **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
11 **SUBSECTION, IF** an installment loan under this subtitle made to a consumer borrower
12 is secured by collateral other than a lien on residential real property ~~OR A MOTOR~~
13 ~~VEHICLE~~, the credit grantor may not require a schedule of repayment under which a
14 consumer borrower may be required to pay a balloon payment at maturity.

15 ~~(2)~~ **(II)** If an installment loan under this subtitle made to a
16 consumer borrower is secured by a secondary lien on residential real property, the
17 credit grantor may require a schedule of repayment providing for a balloon payment at
18 maturity. On request, the consumer borrower is permitted to postpone payment of the
19 balloon payment once for a period not to exceed 6 months. The borrower must continue
20 to make installment payments in the amount required prior to maturity during the
21 extension period. The credit grantor may not impose any charges or fees as a result of
22 allowing an extension period.

23 **(2) A CREDIT GRANTOR MAY REQUIRE A SCHEDULE OF**
24 **REPAYMENT UNDER WHICH A CONSUMER BORROWER MAY BE REQUIRED TO PAY**
25 **A BALLOON PAYMENT AT MATURITY IF:**

26 **(I) THE AMOUNT OF THE INSTALLMENT LOAN EXCEEDS**
27 **\$30,000; AND**

28 **(II) THE INSTALLMENT LOAN IS SECURED BY A LIEN ON A**
29 **MOTOR VEHICLE.**

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 October 1, 2010.